

# FDIC State Profile

Fall 2004

## Idaho

Idaho's second quarter 2004 nonfarm employment growth outpaced the nation for the fifth consecutive year.

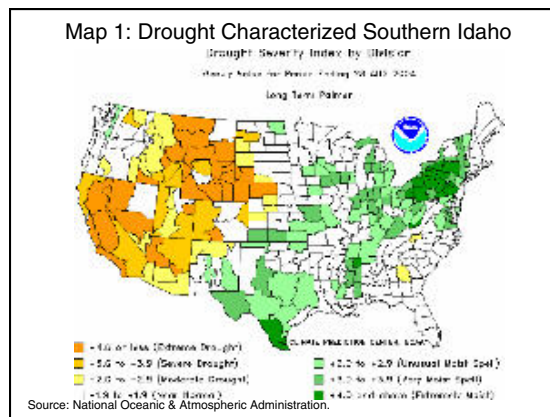
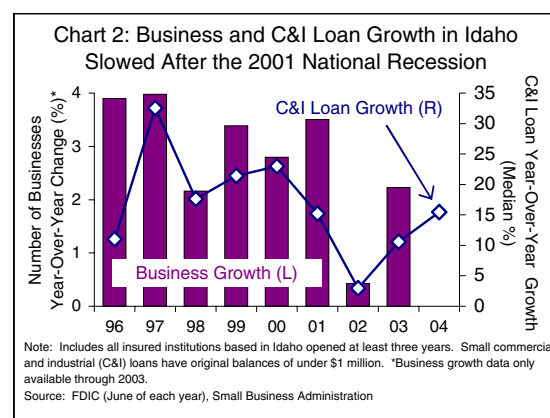
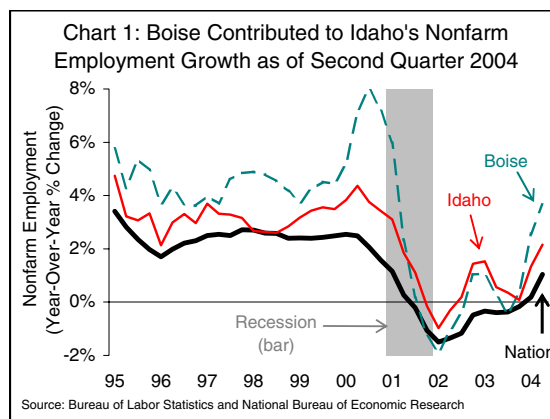
- While the state added 12,400 jobs during the year ended second quarter 2004, **Boise** accounted for almost two-thirds of the total, with 8,400 new jobs (See Chart 1). Job growth was led by gains in the professional and business services, government, and construction sectors, each posting increases of at least 2,300 jobs.
- The manufacturing sector contracted at a rate of 1.8 percent year-over-year, albeit at a significantly slower rate than the 4.0 percent year-over-year decline recorded in the first quarter. Strong construction boosted lumber prices, helping the lagging wood products manufacturing sector, which also slowed its job losses to 1.9 percent from 5.3 percent over the same period. Framing lumber prices in July of 2004 were quoted as \$417 per thousand board-feet, slightly lower than in May 2004; however, prices had not been this high since 1999.

### Growth in business formations and commercial and industrial (C&I) loan portfolios accelerated in Idaho.

- Shortly after the 2001 national recession, the state's business formation growth slowed to less than 1 percent (See Chart 2). However, business formation accelerated to a 2.2 percent growth rate during 2003.
- Following the 2003 pick up in business formation, Idaho's annual C&I loan growth accelerated to 15 percent through mid-2004, well above the nominal 3 percent June 2002 growth rate.
- Smaller business loans (those with original balances of less than \$1 million) led C&I growth among insured institutions and accounted for 88 percent of C&I loan portfolios on a median basis.

### Idaho farmers continue to struggle with drought.

- Southern Idaho continued to suffer from severe to extreme drought (See Map 1). From mid-April through late August of 2004, 22 Idaho counties received emergency drought



## State Profile

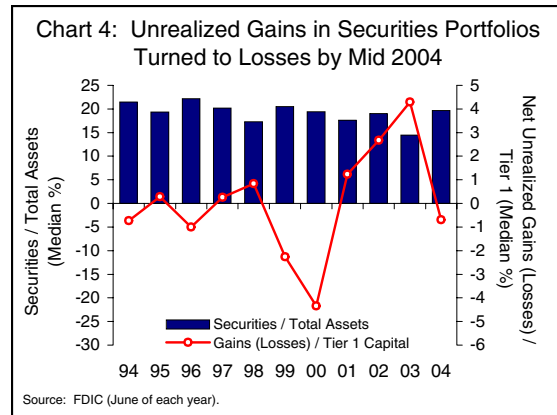
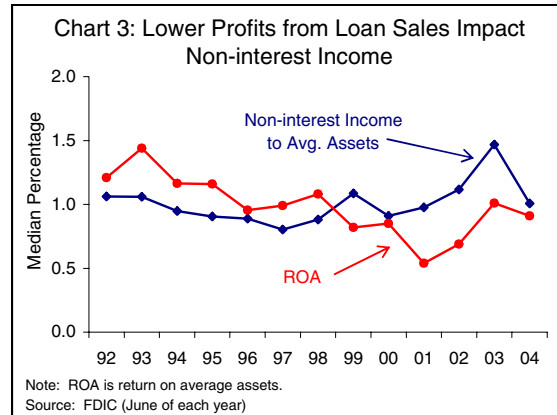
declarations. In **Franklin County**, irrigation systems were reportedly shut down because of a lack of water.<sup>1</sup>

- Drought has dried up grasslands and made it more difficult for some Idaho ranchers to feed their livestock. The economic importance of cattle and dairy products to the state is underscored by the fact that they accounted for more than half of Idaho's 2003 farm receipts. Already concerned that pasture and water tables are too dry, the USDA announced aid that will make available surplus stocks of non-fat dry milk to some livestock producers in Idaho for use as a high-quality source of supplemental feed inventory.<sup>2</sup>
- Some crops affected by drought may be challenged by reduced farm subsidies, which represented 13 percent of Idaho farm net income during 2003. During World Trade Organization negotiations held on July 30th of 2004, the U.S. agreed to a 20 percent cut in its \$19 billion annual farm subsidies. Affected crops included wheat and corn. If these agreements are approved, cuts could take place as early as 2006. A decrease in agricultural subsidies could hurt net income, bring down farm property values, and test the loan-servicing ability of some farmers.

### Rising interest rates affect Idaho's financial institutions.

- Idaho's insured financial institutions reported a drop in the median return on average assets (ROA) ratio for second quarter 2004 of 0.91 percent, compared to 1.01 percent one-year earlier, notwithstanding continued reductions in overhead and provision expenses. Profits were hurt by the rise in interest rates, which resulted in a narrower net interest margin and a decline in mortgage refinancing that negatively affected the dollar volume of gains-on-sale of loans (See Chart 3).
- Insured institutions headquartered in the Boise metropolitan statistical area (MSA) reported lower earnings performance than Idaho's rural-based institutions. Boise MSA-based institutions reported a second quarter 2004 ROA of 0.64 percent, compared to 0.94 for Idaho's rural-based institutions. Compared to Idaho's rural-based institutions, Boise MSA-based institutions reported lower net interest margins due to higher costs of funds and significantly higher provision for loan and lease loss expenses.
- Consistent with national trends, the second quarter up tick in interest rates had an adverse affect on security portfolio values at insured financial institutions throughout the state. After several years of positive unrealized portfolio gains, banks based in Idaho reported

a median net unrealized securities losses-to-Tier 1 capital ratio of 0.69 percent in second quarter 2004 (See Chart 4). The effects of interest rates on debt securities valuations will warrant monitoring as one third of the commercial banks based in Idaho used securities gains to boost income during the first half of 2004. Recent and anticipated interest rate increases may dissipate future gains-taking opportunities.



<sup>1</sup>"Idaho Crop Weather", Idaho Agricultural Statistics Service, August 30, 2004.

<sup>2</sup>"USDA Provides Drought Aid", <http://www.beefusa.org>, August 18, 2004.

## State Profile

### Idaho at a Glance

<b>General Information</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Institutions (#)	18	19	20	20	19
Total Assets (in thousands)	5,083,542	4,470,680	3,880,215	3,392,527	2,820,535
New Institutions (# < 3 years)	0	2	2	2	1
New Institutions (# < 9 years)	7	7	9	9	7
<b>Capital</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Tier 1 Leverage (median)	8.33	8.41	8.53	8.71	9.09
<b>Asset Quality</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Past-Due and Nonaccrual (median %)	1.17%	1.27%	1.47%	1.52%	1.31%
Past-Due and Nonaccrual >= 5%	0	1	0	0	0
ALLL/Total Loans (median %)	1.28%	1.41%	1.27%	1.28%	1.27%
ALLL/Noncurrent Loans (median multiple)	3.91	3.63	2.19	2.56	2.94
Net Loan Losses/Loans (aggregate)	0.08%	0.13%	0.22%	0.30%	0.19%
<b>Earnings</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Unprofitable Institutions (#)	0	0	2	3	2
Percent Unprofitable	0.00%	0.00%	10.00%	15.00%	10.53%
Return on Assets (median %)	0.91	1.01	0.69	0.54	0.85
25th Percentile	0.75	0.75	0.52	0.11	0.41
Net Interest Margin (median %)	4.56%	4.64%	4.68%	4.62%	5.20%
Yield on Earning Assets (median)	5.94%	6.29%	6.97%	8.51%	8.96%
Cost of Funding Earning Assets (median)	1.51%	1.64%	2.34%	3.86%	3.76%
Provisions to Avg. Assets (median)	0.22%	0.31%	0.35%	0.32%	0.34%
Noninterest Income to Avg. Assets (median)	1.01%	1.47%	1.12%	0.98%	0.91%
Overhead to Avg. Assets (median)	3.69%	4.03%	4.26%	4.11%	4.20%
<b>Liquidity/Sensitivity</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Loans to Deposits (median %)	85.05%	86.34%	83.51%	83.58%	87.07%
Loans to Assets (median %)	70.22%	74.23%	72.28%	70.15%	71.40%
Brokered Deposits (# of Institutions)	8	5	4	4	4
Bro. Deps./Assets (median for above inst.)	4.27%	3.41%	5.88%	7.63%	4.04%
Noncore Funding to Assets (median)	19.39%	19.78%	18.48%	20.82%	21.91%
Core Funding to Assets (median)	70.35%	68.20%	67.89%	66.81%	67.07%
<b>Bank Class</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
State Nonmember	13	14	14	14	14
National	1	1	1	1	1
State Member	1	1	2	2	2
S&L	1	1	1	1	1
Savings Bank	2	2	2	2	1
Stock and Mutual SB	0	0	0	0	0
<b>MSA Distribution</b>	<b># of Inst.</b>	<b>Assets</b>	<b>% Inst.</b>	<b>% Assets</b>	
No MSA	13	3,760,997	72.22%	73.98%	
Boise City ID	4	1,218,694	22.22%	23.97%	
Pocatello ID	1	103,851	5.56%	2.04%	